



Monthly Economic Update

April 2005



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** Following a revised 3.5 percent growth in the nation's gross domestic product in the first quarter, the latest set of national indicators showed mixed results in April. New orders for non-defense capital goods excluding aircraft rose 1.6 percent in April, the first increase since January. Sales of existing homes were up a blistering 4.5 percent over March, the largest one-month gain since August 2003, and 5.7 percent over April of last year. The economy added 274,000 jobs during the month bringing the number of new jobs for the year to 844,000. The Institute of Supply Management (ISM) reported that while its manufacturing index at 53.3% grew for the 23rd consecutive month, that rate slowed to its lowest level since July 2003. Industrial production fell 0.2 percent for the first time since January while consumer prices increased 0.5 percent over March with energy costs up sharply for the third consecutive month. Excluding energy and food, prices were unchanged.

The stock market continued to lack any turnaround in April such that by the end of the month all three major indices – Dow Jones (↓5.5%), NASDAQ (↓11.7%), and S&P 500 (↓4.5%) – were below December 2004 levels. As expected, the Federal Reserve raised its target rate for federal funds on May 3rd by 25 basis points to 3 percent. Three more increases are expected through the remainder of the calendar year.

➤ **Construction.** Construction activity in the County experienced mixed results in April. The number of residential and non-residential permits issued during the month decreased dramatically compared to April 2004 but the value of construction starts was just the opposite. Even though the number of residential permits issued by the County decreased nearly 39 percent and non-residential permits were down by 23 percent in April, the picture year to date looks better with the issuance of residential (↑11.9%) and non-residential (↑25.5%) permits during the first four months of this year compared to the same period last year. If such trends continue through the remainder of the year,

construction activity in 2005 could outperform 2004. While permits declined in April, the value of residential and non-residential construction increased 240 percent and 65 percent, respectively, compared to the same month last year. Based on its four-month performance, residential construction appears to have rebounded compared to last year while non-residential construction was negative.

Residential construction activity continued to experience different patterns in April and for the first four months of the year. Construction of single-family homes was off 15 percent through April compared to the first four months of 2004. However, construction of multi-unit dwellings was up nearly six times during the first four months of this year compared to last year. Because of the strong demand for condominiums in the County, developers are concentrating their efforts on that segment of the housing market as well as larger single-family homes (4,000 ft² compared to 2,400 ft² last year).

➤ **Real Estate.** Home prices continued their accelerated pace during April. The average selling price of a home in the County stood at slightly over \$480,000 – a 20 percent increase over April of last year. Sales were up 1.3 percent for the month compared to March and 4.0 percent for the year compared to the same period last year. With ten-year Treasury bonds at or below the 4 1/4 percent level, mortgage interest rates are expected to remain at or below the 6 percent threshold for the remainder of the year, thereby supporting a healthy real estate market in the County. *BusinessWeek* reported that 31 percent of new single-family mortgages were interest only in 2004 compared to 1.5 percent in 2001.

➤ **Retail Sales.** Fueled by purchases of general merchandise (↑11.4%), building and industrial supplies (↑6.3%), and transportation (↑7.8%), retail sales in the County as measured by sales tax receipts were up 5.6 percent in March compared to March 2004. For the first quarter of this year, retail sales were up 5.4 percent compared to the same period last year.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2005	2004	2004
Leading Indicators						
National	Apr	-0.2%		-0.2%		1.3%
Washington MSA	Mar	-0.7%		1.5%		2.1%
Coincident Indicators						
National	Apr	0.2%		2.6%		3.5%
Washington MSA	Mar	1.9%		7.6%		7.9%
Consumer Confidence Index						
National	Apr	-5.1%		11.6%		8.3%
South Atlantic Region	Apr	-9.5%		10.4%		11.4%
Consumer Sentiment (University of Michigan)	Apr	-4.2%		-4.5%		4.9%
Consumer Price Index						
All Items (nsa)						
National	Apr	3.5%		3.2%		2.7%
Washington - Baltimore CMSA	Mar	3.9%		3.7%		2.8%
Core CPI (nsa)						
National	Apr	2.2%		2.3%		1.7%
Washington - Baltimore CMSA	Mar	3.3%		3.3%		1.8%
Retail Trade						
National (sales - nsa)	Apr	7.2%		6.5%		7.6%
Washington MSA (sales - nsa)	Mar	8.1%		6.7%		7.4%
Maryland (sales tax)	Mar	5.5%		6.3%		9.1%
Montgomery County (sales tax)	Mar	5.6%		5.4%		6.7%
Employment						
National (labor force data - nsa)	Apr	140,939,000	138,423,000	139,620,000	137,605,500	139,252,000
- Percent Change		1.8%		1.5%		0.9%
Washington Metro Division (lab. for. data - nsa)	Mar	2,143,568	2,100,556	2,132,262	2,072,864	2,114,556
- Percent Change		2.0%		2.9%		1.9%
Montgomery County (labor force data)	Mar	494,916		(See footnote to the table below)		
- Percent Change						1.1%
Montgomery County (payroll)*	Sept. '04(adjusted)	450,550	445,098	444,591	442,850	442,850
- Percent Change		1.2%		0.4%		0.5%
Unemployment						
National (nsa)	Mar	5.4%	5.4%	5.6%	5.9%	6.0%
Maryland (nsa)	Mar	4.5%	4.4%	(See footnote to the table below)		
Washington Metro Division (nsa)	Mar	3.6%	3.6%	(See footnote to the table below)		
Montgomery County (nsa)	Mar	3.3%	3.1%	(See footnote to the table below)		
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Apr	\$141,115	\$65,306	\$431,625	\$423,592	\$1,134,582
- Percent Change		116.1%		1.9%		-31.6%
Residential (\$ thousand)	Apr	\$65,717	\$19,489	\$232,447	\$142,302	\$676,613
- Percent Change		237.2%		63.3%		-15.7%
Non-Residential (\$ thousand)	Apr	\$75,398	\$45,817	\$199,178	\$281,290	\$457,969
- Percent Change		64.6%		-29.2%		-46.5%
Building Permits (Residential)						
National	Apr	192,245	186,704	669,742	631,750	2,024,211
- Percent Change		3.0%		6.0%		8.7%
Maryland	Apr	2,785	2,746	10,688	8,815	28,384
- Percent Change		1.4%		21.2%		-5.8%
Montgomery County	Apr	345	565	1,648	1,473	3,798
- Percent Change		-38.9%		11.9%		-17.3%
Building Permits (Non-Residential)						
Montgomery County	Apr	169	218	808	644	1,966
- Percent Change		-22.5%		25.5%		9.3%
Real Estate						
National (saar)						
Sales	Apr	7,180,000	6,790,000	6,920,000	6,440,000	6,784,000
- Percent Change		5.7%		7.5%		9.7%
Median Price	Apr	\$206,000	\$179,000	\$194,250	\$174,250	\$185,200
- Percent Change		15.1%		11.5%		9.3%
Montgomery County						
Sales	Apr	1,361	1,343	4,568	4,398	17,753
- Percent Change		1.3%		3.9%		2.9%
Average Price	Apr	\$480,143	\$400,880	\$462,312	\$390,544	\$429,480
- Percent Change		19.8%		18.4%		18.3%
Median Price	Apr	\$405,000	\$335,000	\$385,844	\$322,273	\$355,000
- Percent Change		20.9%		19.7%		20.1%
NOTES:						

NOTES:

(rev.): Starting with January 2005, the Bureau of Labor Statistics, U.S. Department of Labor, instituted a new method of calculating employment and unemployment. Therefore, data for previous years are not meaningful

(adjusted): ES-202 series adjusted for noneconomic coding revisions by DLLR

*Payroll data under 2004 and 2003 pertain to 2003 and 2002 respectively